

**Lake of the Woods District
Hospital Foundation
Financial Statements
For the year ended March 31, 2018**

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Tel: 807-468-5531
Fax: 807-468-9774
www.bdo.ca

BDO Canada LLP
301 First Avenue S, Suite 300
Kenora ON P9N 4E9 Canada

Independent Auditor's Report

To the Chairman and the Members Lake of the Woods District Hospital Foundation

We have audited the accompanying financial statements of Lake of the Woods District Hospital Foundation, which comprise the statement of financial position as at March 31, 2018 and the statement of operations, the statement of changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, the Lake of the Woods District Hospital Foundation derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, fundraising revenue, excess of revenue over expenses, (expenses over revenue) and cash flows from operations for the year ended March 31, 2018 and March 31, 2017 and current assets and net assets as at March 31, 2018 and March 31, 2017. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Lake of the Woods District Hospital Foundation as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Kenora, Ontario
June 26, 2018

Lake of the Woods District Hospital Foundation
Statement of Financial Position

March 31 2018 2017

Assets

Current

Cash (Note 2)	\$ 860,319	\$ 30,867
Accounts receivable	12,124	16,032
Prepaid expenses	2,898	4,781

Investments (Note 3)

	875,341	51,680
	896,895	1,728,451

	<u>\$ 1,772,236</u>	<u>\$ 1,780,131</u>
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 7,397	\$ 7,686
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Net Assets

General Fund

Externally restricted assets (Donor Designated Funds)	825,175	920,789
Unrestricted net assets	44,146	(30,058)

	869,321	890,731
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Endowment Fund

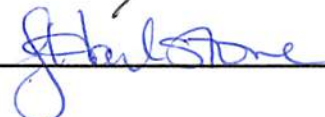
Internally restricted funds endowed by the board	895,518	881,714
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	<u>1,764,839</u>	<u>1,772,445</u>
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	<u>\$ 1,772,236</u>	<u>\$ 1,780,131</u>
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On behalf of the Foundation:





Lake of the Woods District Hospital Foundation
Statement of Operations

For the year ended March 31	General Fund		Donor Designated Fund		Endowment Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue								
Donations								
General and fundraising	\$ 473,589	\$ 422,778	\$ 889,989	\$ 485,158	\$ -	\$ 8,003	\$ 1,363,578	\$ 915,939
Donated goods and services	123,979	105,399	-	-	-	-	123,979	105,399
Investment income								
- dividends and interest	2,972	4,955	16,767	22,611	37,752	31,642	57,491	59,208
- capital gains (losses)	(1,104)	3,092	(11,793)	20,507	(23,948)	41,986	(36,845)	65,585
	599,436	536,224	894,963	528,276	13,804	81,631	1,508,203	1,146,131
Expenses								
Audit and legal	4,407	6,957	-	-	-	-	4,407	6,957
Bank charges and fees	9,344	7,292	-	-	-	-	9,344	7,292
Fundraising costs	213,911	199,817	-	-	-	-	213,911	199,817
Postage and office	32,140	27,507	-	-	-	-	32,140	27,507
Printing and advertising	47,836	39,455	-	-	-	-	47,836	39,455
Professional and consulting fees	4,461	45,587	-	-	-	-	4,461	45,587
Travel and education	3,058	4,932	-	-	-	-	3,058	4,932
Wages and benefits	180,624	132,812	-	-	-	-	180,624	132,812
	495,781	464,359	-	-	-	-	495,781	464,359
Excess of revenue over expenses before transfers	103,655	71,865	894,963	528,276	13,804	81,631	1,012,422	681,772
Transfers to Lake of the Woods District Hospital	(29,451)	(240,730)	(990,577)	(367,519)	-	-	(1,020,028)	(608,249)
Excess of revenue over expenses for the year	74,204	(168,865)	(95,614)	160,757	13,804	81,631	(7,606)	73,523
Balance, beginning of year	(30,058)	110,781	920,789	760,032	881,714	828,109	1,772,445	1,698,922
Transfer of investment income to the General fund	-	28,026	-	-	-	(28,026)	-	-
Balance, end of year	\$ 44,146	\$ (30,058)	\$ 825,175	\$ 920,789	\$ 895,518	\$ 881,714	\$ 1,764,839	\$ 1,772,445

The accompanying notes are an integral part of these financial statements.

Lake of the Woods District Hospital Foundation
Statement of Cash Flows

For the year ended March 31	2018	2017
Cash flows from operating activities		
Cash received from general contributions	\$1,363,578	\$ 915,939
Investment income received	57,491	59,208
Cash paid for operating expenses	(366,300)	(359,716)
Cash paid to Lake of the Woods District Hospital	<u>(1,020,028)</u>	<u>(608,249)</u>
	34,741	7,182
Cash flows from investing activities		
Net sales (purchase) of marketable securities	<u>794,711</u>	<u>(70,963)</u>
Increase (decrease) in cash	829,452	(63,781)
Cash, beginning of year	<u>30,867</u>	<u>94,648</u>
Cash, end of year	\$ 860,319	\$ 30,867

The accompanying notes are an integral part of these financial statements.

Lake of the Woods District Hospital Foundation

Notes to Financial Statements

March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies

Purpose of the Foundation

The Lake of the Woods District Hospital Foundation was incorporated November 13, 1992 for the purpose of raising, holding and investing funds for capital projects of the Lake of the Woods District Hospital as approved by the hospital's Board of Trustees. The Lake of the Woods District Hospital Foundation is incorporated under the Canada Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions. In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in funds. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors. Transfers between the funds are made when it is considered appropriate and authorized by the Board. These interfund transfers are recorded in the statement of changes in net assets. For financial reporting purposes, the accounts have been classified into the following funds:

General Fund

The General Fund accounts for the Foundation's general fundraising, granting and administrative activities. The General Fund reports both unrestricted resources available for immediate purposes.

Donor Designated Fund

The Donor Designated Fund reports restricted resources that are to be used for purposes as specified by the respective donors.

Endowment Fund

The Endowment Fund includes those funds where either donor or internal restrictions require that the principal be maintained by the Foundation on a permanent basis.

Capital Assets

Purchased capital assets are recorded at cost. Amortization is provided on a straight line basis over the assets' useful lives which are estimated to be as follows:

Computer equipment	- 3 years
Donor board	- 5 years
Office equipment	- 10 years
Christmas structures	- 3 years

Lake of the Woods District Hospital Foundation
Notes to Financial Statements

March 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies - continued

Revenue Recognition of Contributions

Donations and bequests are recorded on a cash basis.

Unrestricted and restricted contributions are recognized as revenue of the General Fund or the Endowment Fund in the year received.

Recognition of Pledges

Because of the uncertainty of the collectibility of pledges, the Foundation recognizes only those pledges for which contributions have been received at the date of the financial statements.

Contributed Materials and Services

Contributed materials and services are recognized in the financial statements when the fair value can be reasonably estimated and when the materials and services are used in the normal course of the organization's operations and would otherwise have been purchased.

Investment Income

The investments of the Foundation are recorded at fair market value. Investment income includes dividends, interest and realized and unrealized gains.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives, if any, are reported at fair value, with any unrealized gains and losses reported in operations, other than financial instruments related to endowment funds. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations, other than financial instruments related to endowment funds. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Lake of the Woods District Hospital Foundation
Notes to Financial Statements

March 31, 2018

2. Cash

The Foundation's bank accounts are held at a chartered bank and earn interest at prime minus 2%.

3. Investments

Investments are managed by CIBC Wood Gundy. The fair value of investments held as at March 31, 2018, were as follows:

	<u>2018</u>	<u>2017</u>
Cash accounts (cost value - \$45,709)	\$ 45,709	\$ 142
Bonds (cost value - \$25,069)	23,744	215,800
Equities - Canadian (cost value - \$155,000)	150,066	275,304
Other (cost value - \$nil)	-	24,450
Mutual funds (cost value - \$669,949)	<u>677,376</u>	<u>1,212,755</u>
	<u>\$ 896,895</u>	<u>\$ 1,728,451</u>

Lake of the Woods District Hospital Foundation
Notes to Financial Statements

March 31, 2018

4. Financial Instrument Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising through its investment portfolio held in bonds with fixed interest rates, resulting in changes in fair value of the bonds as market interest rates for similar bonds change.

The Foundation manages its interest rate risk through limiting funds invested in bonds.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's operating cash accounts are held at a major institution.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation limits its exposure to changes in currency by having limits on holdings in foreign investments.

Market Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to market risk as its investment portfolio includes both equity instruments and debt instruments (bonds) that are subject to market volatility. The markets are affected by a number of factors including changes in interest rates, availability of financing, exchange rates and general economic conditions. The market fluctuations have the potential to create both gains and losses within the investment portfolio.

To minimize market risk the Foundation follows investment policy guidelines which limit investment in both common shares and bonds to an upper limit along with holding bonds in certain credit ratings.

5. Subsequent Event

Subsequent to year-end, the Foundation transferred \$722,850 from cash to the Lake of the Woods District Hospital for OR renovations.